GaAs-on-silicon may influence Motorola's decision on semiconductor business

In Q2/2001 **Motorola**'s Semiconductor Products Sector (Austin, TX, USA) posted an operating loss of US$381m on sales of US$1.3bn (down 38%), with orders down 51%.

IC Insights Inc estimates that Motorola's first-half 2001 chip sales were US$2.73bn (down 30% on first-half 2000) and that it has slipped to No. 8 largest semiconductor manufacturer.

"*Vertically integrated companies are finding it challenging to be competitive*," says Morgan Stanley chip analyst Mark Edelstone.

In late August Motorola president and chief operating officer Robert L Growney said it would consider a sale or spin-off of SPS if the unit does not turn itself around within an undisclosed deadline and restructure. The SPS management is "examining alternative business models".

However, Growney said that Motorola's GaAs-on-Si breakthrough (see page 34) "*has an impact on how we sort out the degree and the type of participation in the semiconductor industry going forward - whether it [the sector] is staying fully integrated* [into Motorola], *whether or not there are partnerships, whether or not there is a shift to a model of intellectual property creation*".

Due to slower growth in the wireless infrastructure market resulting from delays in capital expenditures by wireless service providers, Motorola is cutting 2,000 more jobs in its Global Telecom Solutions Sector (GTSS) by end-2001 (bringing the total cuts company-wide to 32,000 out of 147,000).

The Q3 corporate sales forecast was cut from being up 5% to being flat with US$7.52bn in Q2.

An improvement in oper-ating loss from Q2 was due to increased sales and improved profitability in the Personal Communications Sector and Commercial, Government and Industrial Systems Sector.

However, Motorola SPS is seeing "*continuing signs of the bottom* [of the downturn] *and the start to moving up*" after orders have shown a rise on Q2.

Motorola expects its chip sales to be up 20% in 2002.

* Motorola SPS will phase out two fab lines at its oldest facilities, in Mesa, AZ, USA (which began wafer fabrication with the Bipolar-1 line in 1969):

- MOS-6 (which began production in 1981 and employs 400 staff making LDMOS RF ICs) over the next 30 months; and
- Bipolar Manufacturing Center (which was formed in 1998 from the consolidation of three bipolar lines - two 4" and one 5", mostly for automotive applications - and employs 800 staff, but is too old to be upgraded like other lines in Chandler) over the next 18 months.

The Mesa facility will retain some R&D and IT facilities.

However, corporate vp and director of Technology & Manufacturing Chris Belden says "This decision is a continuation of our manufacturing renewal process to improve asset management by investing in advanced technologies and consolidating our older production facilities". Since 1998 Motorola has closed five fabs and has two others in the phase-out process.

Some devices now being made in the Mesa fab will be transferred to other Motorola sites in the Phoenix area (along with most staff), while other devices will be placed on end-of-life schedules. "We plan to expand production at our MOS-12 [microcontroller and digital signal processor] facility in Chandler and CS-1 [GaAs] facility in Tempe," Belden adds.

Forecasts raised for GaAs RFICs

Compared to mid-July's forecast of fiscal Q2/2002 sales (to end-September) 10% up on the June quarter's US$70.1m, **RF Micro Devices Inc** (Greensboro, NC, USA) now expects sales up 30% to US$91m (breaking even), due primarily to increased orders for both MMICs and modules.

"*We are seeing increased order activity and revenue growth from multiple customers and across all major air interface standards*," said president and CEO David Norbury. "*We believe this growth is attributable to market share gains, increased end-user demand and normalized inventory levels*".

RFMD expects December-quarter sales to rise further.

ANADIGICS Inc (Warren, NJ, USA) - hit hard and early at the start of the current downturn last year - now expects Q3/2001 sales of US$16.0m (down 15% on Q2) rather than the previously forecast US$15.5m (down 18%). Q2's US$18.9m was down 33.7% on Q1.

It has also raised its Q4 sales forecast to US$18.0-18.5m (including wireless up 50% sequentially, reflecting the additional ramp of new CDMA customers and TDMA platforms).

However, ANADIGICS still plans a 30% cut in operating expenses by Q1/2002 through further job cuts, consolidation of facilities, and write-off of certain fixed assets, targeting a return to profitability in second-half 2002.

"*We feel confident that we have seen the bottom*," said president and CEO Dr Bami Bastani. "*Our efforts to expand our wireless customer base are succeeding. We began 2001 with one wireless handset customer and we are currently in production with three customers on six platforms... three TDMA and three CDMA.*"

HBT epiwafer supplier **Kopin Corp** (Taunton, MA, USA) has raised its Q3 sales forecast to US$11.6-12.0m (up 25% on Q2) due to strong growth in both III-Vs (up 37% to US$5.1-5.3m) and CyberDisplays (up 23% to US$6.3-6.5m).

"*We have seen continued orders from our newer HBT customers, coupled with a resurgence of business from some of the larger wireless customers with whom we have had long-term relationships*," said chairman and CEO John C C Fan.

Kopin expects further growth in Q4/2001.